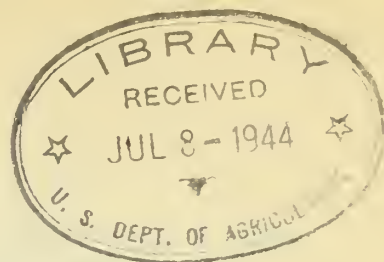


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THE *Livestock* SITUATION

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UNITED STATES DEPARTMENT OF AGRICULTURE

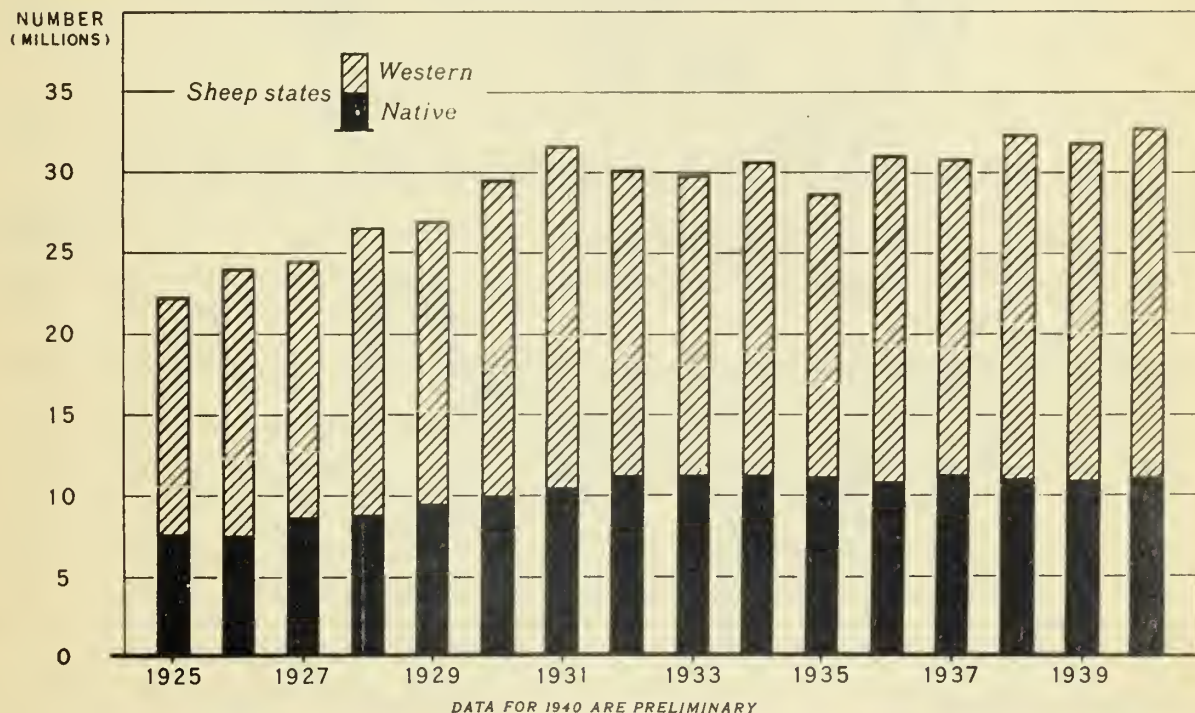
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BAE

AUGUST 1940

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UNITED STATES LAMB CROP, 1925-40



U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

THE 1940 LAMB CROP IS 3 PERCENT LARGER THAN THE 1939 CROP AND IS THE LARGEST CROP ON RECORD. MOST OF THE INCREASE OVER LAST YEAR WAS IN TEXAS. THE NUMBER OF LAMBS RAISED IN THE OTHER WESTERN STATES AS A GROUP IS SLIGHTLY SMALLER THAN THE NUMBER LAST YEAR. THE LAMB CROP IN THE NATIVE SHEEP STATES WAS ONLY A LITTLE LARGER IN 1940 THAN IN 1939.

PRICE OF LAMBS AT CHICAGO, INSPECTED SLAUGHTER OF SHEEP AND LAMBS, AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, AND PRICE OF WOOL AT BOSTON, 1929-40

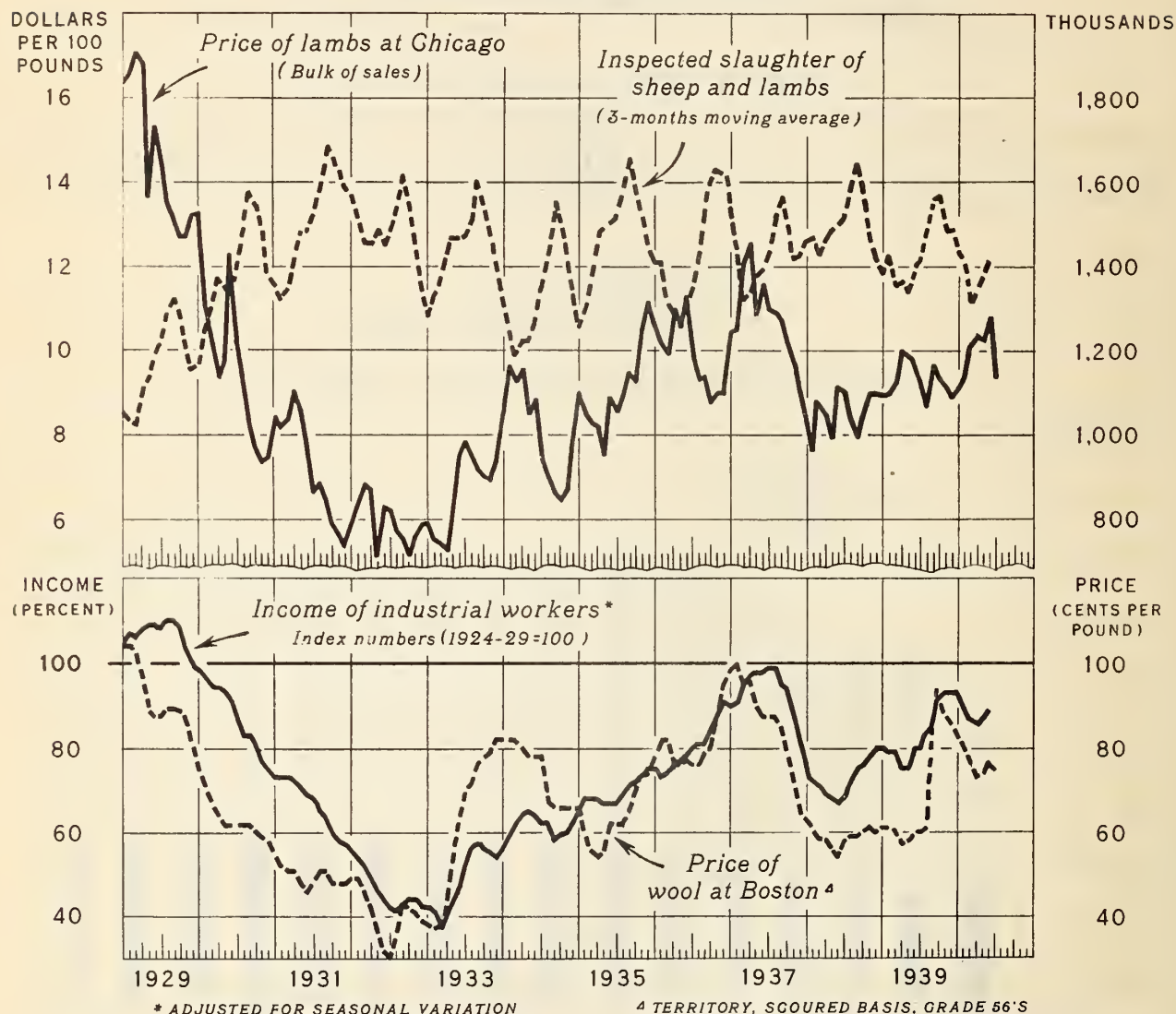


FIGURE 1.— CHANGES IN PRICES OF LAMBS ARE CAUSED CHIEFLY BY (1) CHANGES IN SLAUGHTER SUPPLIES OF SHEEP AND LAMBS; (2) CHANGES IN CONSUMER DEMAND, MEASURED IN THIS CHART BY INCOME OF INDUSTRIAL WORKERS; (3) CHANGES IN WOOL PRICES, WHICH AFFECT THE VALUE OF PELTS OBTAINED FROM SLAUGHTERED SHEEP AND LAMBS. EXCEPT FOR SEASONAL FLUCTUATIONS, THE TREND IN LAMB PRICES HAS BEEN UPWARD SINCE YEARLY 1938. THIS UPWARD TREND HAS BEEN DUE CHIEFLY TO IMPROVEMENT IN CONSUMER DEMAND AND ADVANCING WOOL PRICES. IN JULY 1940 PRICES OF LAMBS DECLINED SHARPLY, AFTER A SEASONAL ADVANCE IN THE FIRST HALF OF THE YEAR.

T H E L I V E S T O C K S I T U A T I O N

Summary

Marketings of livestock are expected to continue relatively large during the remainder of 1940. Compared with a year earlier, the increase will be moderate in contrast to the large increase in the first half of 1940. The total live weight of marketings of livestock in 1941 is expected to be substantially smaller than in 1940, with most of the reduction in hogs.

Present indications are that consumer demand for meats in the last half of 1940 will be stronger than in last half of 1939. This will reflect the prospective higher level of industrial production and incomes of consumers. Domestic consumer demand probably will be well maintained in the first half of 1941 in view of the increasing expenditures for national defense. Export demand for pork and lard in 1940-41 is expected to be no better than in recent months, if as good.

The number of cattle on feed in the Corn Belt on August 1 was estimated to be 3 percent smaller than the number on feed on August 1 last year. This decrease reflects the unfavorable returns from cattle feeding in the past season, when prices of both corn and feeder cattle were high in relation to prices of slaughter cattle. With feed grain supplies smaller this year than last and prospects for higher corn prices than last season, the number of cattle fed this fall and winter is expected to be materially smaller than a year earlier. This will mean smaller marketings of grain-fed cattle in the first half of 1941 than in the first 6 months of 1940.

Prices of better grades of slaughter cattle are expected to continue higher than a year earlier during the remainder of 1940 and in early 1941. The spread between prices of feeder cattle and prices of slaughter cattle is

likely to be wider in this period than it has been in the past year. Chiefly because of the prospects for well maintained consumer demand for meats and for a decrease in marketings of grain-fed cattle, the general level of cattle prices in the first half of next year may be higher than in the first half of 1940.

The number of cattle on farms and ranches is likely to increase further in the next few years, continuing the upswing which began in early 1938. On January 1, 1941, the number of cattle probably will be about 2 million head larger than a year earlier, and 5 million head larger than on January 1, 1938. The upward trend in cattle numbers will eventually lead to marked expansion in cattle marketings and slaughter. Under such conditions the trend in cattle prices after 1941 is apt to be downward, unless there is a substantial improvement in consumer demand for meats.

The increase in the 1940 lamb crop over that of 1939 probably will result in larger marketings of lambs in the last half of 1940 than in the last 6 months of 1939. The effects of the larger marketings will be offset by the improvement in consumer demand, and lamb prices this fall and winter probably will average as high as those of a year earlier.

The number of lambs fed this fall and winter may be somewhat smaller than the number last season. Supplies of feed grains in the Corn Belt will be smaller than those of last year, and feed crop production in 1940 will be materially less than in 1939 in the lamb feeding areas of western Nebraska and Colorado.

Prices of lambs declined sharply in July but recovered a little in early August. In the last half of July prices of hogs and cattle also weakened, chiefly because of the adverse effects of hot weather upon the demand for

meats. In early August prices of hogs and cattle strengthened, and were higher than in early August last year.

-- August 19, 1940

REVIEW OF RECENT DEVELOPMENTS

HOGS

Hog prices held about steady in late July and early August

During late July and early August prices of hogs held most of the gains made in late June and early July. The average price of butcher hogs at Chicago was about \$8.40 for the week ended August 10, compared with \$6.55 for the week ended July 13 and \$5.05 for the middle week of June. For the first time in several months hog prices were higher than a year earlier. Last year hog prices declined sharply during July and early August.

The weekly rate of hog marketings was reduced about 40 percent from late June to early August. Slaughter of hogs at 27 leading centers was smaller than a year earlier during the last week of July and the first week of August. In nearly all other weeks this year slaughter has exceeded that of a year earlier by a substantial margin.

For the entire month of July inspected hog slaughter totaled 3,219,000 head, 17 percent less than in June but 16 percent greater than in July last year. Average weights of hogs at the seven leading markets in July were more than 10 pounds lighter than in July 1939. The tendency for lighter weights reflects chiefly the more unfavorable relationship between hog prices and corn prices this summer than last.

Lard prices decline sharply

Prices of fresh pork advanced sharply during late June and early July, and a large part of this advance has been maintained. Lard prices, on the other hand, held fairly steady in most of July but declined about \$1 per 100 pounds in early August. The recent weakness in prices of lard and of other fats and oils probably reflects chiefly the virtual closing of continental European markets to imports of fats and oils by the British blockade.

Storage stocks continue large

Total stocks of pork on August 1 amounted to 549 million pounds. This is about 50 million pounds smaller than the July 1 stocks but about 94 million pounds larger than the stocks on August 1 last year. Stocks of lard on August 1, totaling 303 million pounds, were a little smaller than a month earlier, but they were 163 million pounds larger than the stocks reported on August 1, 1939.

Storage holdings of pork and lard on the first of the
month, average 1934-35 to 1938-39, 1938-39,
and current marketing year

Month	Pork			Lard		
	Average			Average		
	1934-35	1938-39	1939-40	1934-35	1938-39	1939-40
	to			to		
	1938-39			1938-39		
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Oct.	344.6	277.2	300.2	87.6	89.9	78.8
Nov.	323.7	251.6	272.7	69.6	67.7	68.7
Dec.	378.9	299.1	332.3	71.8	74.5	89.0
Jan.	502.0	430.1	469.5	95.6	107.4	162.1
Feb.	584.6	526.4	588.6	120.5	132.1	202.2
Mar.	603.7	542.1	650.7	126.7	125.3	256.6
Apr.	580.1	523.2	652.7	129.9	129.3	268.8
May	561.3	527.2	612.0	129.1	129.5	266.1
June	515.7	520.3	592.6	129.4	139.3	283.9
July	474.7	496.3	598.5	130.2	148.4	306.8
Aug.	422.6	454.8	<u>1/</u> 548.8	121.2	139.8	<u>1/</u> 303.1
Sept.	361.9	360.9		101.8	110.4	

1/ Preliminary.

Exports of pork and lard
decrease in June

Pork exports in June totaled only 3.1 million pounds, a little less than in May and the smallest total for any month in at least 50 years. As was the case in other recent months, little if any pork was shipped to Great Britain. Lard exports in June totaled 12.7 million pounds, which was 2 million pounds less than in May and 10 million pounds less than in June 1939. In the first 6 months of 1940 pork exports amounted to about 73 million pounds and lard exports were 120 million pounds. Comparable figures for the first half of 1939 were 62 million pounds for pork and 140 million pounds for lard. All of the increase in pork exports over a year earlier came in January and February and resulted from the large movement of fresh pork to Canada before quota restrictions were imposed.

New definitions for lard produced
under Federal inspection

The Secretary of Agriculture signed an order on August 14 setting up new definitions for meat food products which may be sold in interstate and foreign commerce as "lard" and "rendered pork fat." The order will be enforced under the Meat Inspection Act administered by the Bureau of Animal Industry, and becomes effective November 1, 1940.

The new definitions provide that "lard" produced under Federal inspection be made from selected fresh, fatty tissues from healthy hogs with or without lard stearine (hard fat from which the oil has been pressed) or hardened lard (fat that has been hydrogenated--hardened by a chemical process). Edible pork fat not measuring up to the definition of lard, such as head fat, scrap fat, pressings and the like, may be processed and sold as rendered pork fat.

The Department called a hearing on June 18 at which representatives of packers, producers, and consumers discussed the proposals for new definitions with the Under Secretary of Agriculture. At that time, action was deferred to allow some packers' representatives to present more detailed evidence bearing upon the proposal.

Secretary Wallace explained that the purpose of the new order is to increase consumer protection under the Meat Inspection Act by establishing uniformity and freshness of ingredients processed and sold as lard. Containers will be plainly labeled "lard" or "rendered pork fat" so that the consumer may see readily which product is purchased.

At present, all fats rendered from hog carcasses under Federal inspection can be sold as lard so long as the products are edible and noninjurious. The new definitions exclude certain parts of the carcass, formerly used, from both lard and rendered pork fat. Many manufacturers of lard already use raw materials which meet the new standards. But some manufacturers use materials that sometimes result in a product of less desirable taste and keeping qualities. Department officials estimate that about 15 percent of the Federally inspected products now sold as lard would not qualify as lard under the new definitions.

The text of the new definitions follow:

Lard: The fat rendered from fresh, clean, sound, fatty tissues from hogs in good health at the time of slaughter, with or without lard stearine or hardened fat. The tissues do not include bones, detached skin, head fat, ears, tails, organs, windpipes, large blood vessels, scrap fat, skimmings, settlings, pressings, and the like, and are reasonably free from muscle tissue and blood.

Rendered pork fat: The fat, other than lard, rendered from clean, sound carcasses, parts of carcasses, or edible organs from hogs in good health at the time of slaughter, except that stomachs, tails, bones from the head and bones from cured or cooked pork are not included. The tissues rendered are usually fresh, but may be cured, cooked, or otherwise prepared and may contain some meat food products. Rendered pork fat may be hardened by the use of lard stearine or hardened lard, or by rendered pork fat stearine or hardened rendered pork fat.

CATTLE

Cattle prices weaken in July

Prices of nearly all classes and grades of cattle declined during July, with the most pronounced weakness in the lower grades of slaughter cattle. Prices of the better grades of slaughter cattle dropped only moderately during the month and advanced in early August to the level prevailing in early July.

For the week ended August 10, the average price of choice and prime slaughter steers at Chicago was \$11.20, compared with about \$11.15 a month earlier. The weekly average price of common grade slaughter steers at Chicago for the week ended August 10 was \$7, compared with \$8.05 in early July. Prices of the better grades of steers were from \$1.50 to \$1.75 per 100 pounds higher in early August this year than a year earlier. Prices of lower grades were from 20 to 60 cents higher.

The trend in prices of stocker and feeder cattle has been downward since the middle of May, but for most weights of such cattle the drop has been only moderate, amounting to about \$1 per 100 pounds. For the week ended August 9, the average price of all weights of feeder steers at Kansas City was \$8.25, compared with about \$7.55 a year earlier.

Cattle marketings increase in July

Marketings of cattle for slaughter increased during the first half of July but fell off sharply in late July and early August. For the entire month of July, inspected slaughter of cattle was 822,000 head, about 84,000 more than in June and about 40,000 more than in July 1939. Inspected calf slaughter in July was about 10 percent larger than that of a year earlier. In the first 7 months of 1940 inspected cattle slaughter was about 3 percent greater than in the corresponding months of 1939. Inspected calf slaughter thus far in 1940 has been about the same as a year earlier.

Imports reduced in June

Imports of cattle in June, totaling about 40,000 head, were only about half as large as the imports in either April or May. Decreases occurred in imports from both Canada and Mexico. For the second quarter of the year, April through June, imports of cattle weighing over 700 pounds from Canada amounted to about 38,000 head. Under the existing trade agreement between the United States and Canada, 60,000 head of such cattle would have been eligible for entry at the reduced rate of duty during the period from April through June. The Mexican quota for the April-June quarter was 8,000 head, and imports in April alone exceeded the quarterly quota. Imports of cattle from Mexico consist largely of cattle weighing less than 700 pounds, but imports of these have been sharply reduced in the past few months. For the first 6 months of 1940 total imports of cattle from all countries into the United States amounted to 372,000 head, compared with 491,000 in the first half of 1939.

Imports of canned beef in June also were substantially smaller than a year earlier. For the first 6 months of 1940 total imports of canned beef

were 38.1 million pounds, compared with 41 million pounds in the first half of last year.

Cattle imports from Canada, Mexico, and all countries,
by weight groups January-June, 1936-40

Year	Canada				Mexico				All countries			
	:Less	: 200-	: 700 :		:Less	: 200-	: 700 :		:Less	: 200-	: 700 :	
	:than	: lb.	: and :	All	:than	: lb.	: and :	All	:than	: lb.	: and :	All
	: 200	: 699	: over :	cattle	: 200	: 699	: over :	cattle	: 200	: 699	: over :	cattle
	: lb.	: lb.	: 3/ :		: lb.	: lb.	: 3/ :		: lb.	: lb.	: 3/ :	
Jan.-	: 1/	: 2/	: 3/ :	Thou-	: 1/	: 2/	: 3/ :	Thou-	: 1/	: 2/	: 3/ :	Thou-
June:	sands	sands	sands	sands	sands	sands	sands	sands	sands	sands	sands	sands
1936 :	34	10	111	162	1	102	19	122	35	112	130	285
1937 :	57	6	85	156	1	133	24	158	58	139	108	315
1938 :	23	2	22	60	2	159	26	137	30	162	48	247
1939 :	49	3	86	147	29	278	37	344	78	282	123	491
1940 :	44	3	57	112	26	208	25	260	71	210	82	372

Compiled from reports of the United States Department of Commerce.

1/ Less than 175 pounds prior to 1939.

2/ 175-699 pounds prior to 1939.

3/ Exclusive of cattle imported for dairy purposes.

SHEEP AND LAMBS

Lamb prices drop sharply in July

Although prices of lambs usually weaken in July, the drop in prices this year was one of the most pronounced on record. For the week ended June 29 the average of good and choice slaughter lambs at Chicago was \$10.85 and by the week ended August 3 it was about \$8.35. Extremely high temperatures in important lamb-consuming areas and the seasonal increase in marketings were important factors in this decline. With cooler weather and some decrease in marketings, prices of lambs made a moderate recovery in early August. The average price of good and choice slaughter lambs at Chicago was about \$9.25 for the week ended August 10. For the week ended August 3 prices of lambs were about 50 cents lower than a year earlier, but for the week ended August 10 they were about 40 cents higher.

Marketings of sheep and lambs increased materially in the first half of July but were reduced very sharply in late July and early August. Inspected slaughter of sheep and lambs in July, totaling 1,443,000 head, was 5 percent larger than in June and 3 percent greater than in July last year.

DOMESTIC DEMAND FOR MEATS

As indicated in the July issue of the Livestock Situation, the outlook for domestic demand for meats for the next several months appears favorable. In

the past 3 months industrial activity has increased considerably, and incomes of consumers are now increasing. Barring an early end of the war in Europe, demand in the last half of 1940 probably will be better than in the last half of 1939. In view of stimulating effects of large national defense expenditures on industrial activity and consumer incomes it is expected that the demand for meats will be well maintained in 1941. Should the war in Europe come to an end within the next month or two, a substantial, but probably temporary, decline in industrial production might occur. Such a development, of course, would be a weakening influence upon domestic consumer demand for meats and other farm products.

Thus far in 1940 consumer demand for meats has been a little better than a year earlier. Retail prices of meats, especially pork, have been lower, but the volume of meats produced and consumed has been of record proportions. Total production of all meats in 1940 probably will be about 6 percent greater than in 1939 and will be the largest on record. The per capita supply of all meats this year is the largest in more than 10 years. The volume of meats moved into consumption has increased in a similar manner.

FEED SITUATION - 1940-41

Corn crop prospects deteriorated greatly in July, as a result of hot, dry weather over most of the Corn Belt. Production of corn in 1940 was indicated on August 1 to be about 2,248,000,000 bushels. This is 371 million bushels less than the 1939 crop. Partly offsetting this decrease in corn production are indicated increases over last year of 185 million bushels in oats production, 14 million bushels in barley production, and 22 million bushels in grain sorghums. Total production of the four feed grains in 1940 is indicated to be about 91 million tons this year compared with 97 million tons last year.

Total supplies of feed grains for the 1940-41 feeding season (including July 1 stocks of oats, June 1 stocks of barley, prospective October 1 stocks of corn plus production of the four feed grains) are estimated to be about 113 million tons compared with the 1939-40 supply of 118 million tons. The number of feed grain-consuming livestock will be about 4 percent less than the number last year. Thus, total supplies of feed grains per unit of livestock in 1940-41 will be about the same as in 1939-40. The quantity of corn held under seal on October 1 this year will be considerably larger than a year earlier. If the probable volume of corn under loan and held by the Government on October 1 is deducted from the prospective supply of feed grains, the supply of feed grains in 1940-41 is about 100 million tons compared with 103 million last year. Excluding corn under loan, the supply of feed grains per livestock unit will be about 6 percent smaller in 1940-41 than in 1939-40.

Hay production this year will be large - the 1940 crop is indicated at 92 million tons compared with 85 million tons in 1939. The 1940 crop is the fifth largest on record.

Pasture and range conditions declined sharply with the hot, dry weather in July. In most of the region from the Ohio Valley westward into the Rocky Mountains pastures on August 1 ranged from poor to fair. Rains since August 1

in large areas of the Corn Belt probably have helped pastures. In New England and in much of the region southwestward, pastures continued good to excellent. Although range conditions in the Western States declined sharply in July, range feed on August 1 in most areas was better than a year earlier. Livestock on ranges continued in good condition, except in limited areas.

OUTLOOK - BEEF CATTLE

BACKGROUND.- Marketings and slaughter of cattle increased sharply from 1932 through 1936. Inspected slaughter of cattle amounted to 7.6 million head in 1932 and to nearly 11 million head in 1936. This increase was an outgrowth of the marked expansion in cattle numbers which occurred from 1928 to 1934. Since 1936 inspected cattle slaughter has continued relatively large, fluctuating between 9.4 to 10 million head annually. From late 1933 to the middle of 1937, the trend in cattle prices was sharply upward, chiefly because of improvement in consumer incomes throughout this period and the low level of hog marketings from 1935 through 1937. In the last half of 1937 cattle prices declined greatly with the drop in consumer incomes. Since early 1938, cattle prices have tended to rise, chiefly because of improvement in consumer demand. Prices of cattle have been high in relation to prices of hogs in most of the past 3 years.

Decrease in cattle feeding

The number of cattle on feed for market in the Corn Belt States on August 1 was 3 percent less than a year earlier, according to the Agricultural Marketing Service. Cattle feeding has expanded greatly in the past 3 years following sharp decreases occasioned by the droughts of 1934 and 1936. The rate of increase began to slow down early this year. On January 1, 1940 the number of cattle on feed was estimated to be 12 percent larger than a year earlier; on April 1 the number was only 2 percent larger.

Estimated number of cattle on feed in the Corn Belt, as a percentage of a year earlier, January 1, April 1, and August 1, 1940

State	Percentage of a year earlier		
	January 1	April 1	August 1
	Percent	Percent	Percent
Ohio	105	100	83
Indiana	115	105	92
Illinois	110	108	100
Michigan	110	90	110
Wisconsin	110	100	90
Minnesota	120	112	105
Iowa	115	102	108
Missouri	125	105	84
South Dakota	117	110	100
Nebraska	104	95	94
Kansas	97	85	85
Corn Belt (Weighted average) ..	112	102	97
Agricultural Marketing Service.			

The tendency for cattle feeding to be reduced in recent months probably reflects chiefly the unprofitableness of feeding operations this year. Prices of both corn and feeder cattle have been relatively high.

Although total supplies of feed will be plentiful in most of the Corn Belt this year, the supply of corn not under loan will be considerably smaller than that of last year. Hence, corn prices will continue relatively high, perhaps higher in 1940-41 than in 1939-40. Prices of feeder cattle have declined only moderately this summer. The number of cattle fed this fall and winter probably will be smaller than a year earlier. The decrease of 3 percent in the number on feed on August 1 may be a forerunner of larger decreases later this season.

Market supplies of grain-fed cattle to continue
large during next few months

Marketings of grain-fed cattle probably will continue large during the remainder of 1940, but they will be no larger than a year earlier in view of the reported small decrease in cattle on feed on August 1. In the first half of 1941, however, marketings of grain-fed cattle may be smaller than in the first half of 1940.

Western cattle marketings this fall no larger
than those of last fall

Range conditions in the Western States fell off sharply in July, after having been good in most areas earlier this season. In early August, however, heavy marketings of cattle did not appear probable, except from limited areas. The local demand for cattle in the West continued fairly strong, and cattle marketed so far this summer have shown good weight and finish.

Most of the Western States are not nearly as heavily stocked with cattle as in early 1934 (see page 2, April 1940 issue of the Livestock Situation). Unless drought conditions become much more severe, a large liquidation of cattle does not seem probable. Except for the recent dry weather, marketings from the West this fall would have been somewhat smaller than they were last fall.

Little change in slaughter of cattle and calves

In the first 7 months of 1940, inspected slaughter of cattle was 3 percent larger than in the corresponding months of 1939, and inspected calf slaughter was about the same as a year earlier. All of the increase in cattle slaughter has been in steers, as the slaughter of cows and heifers has been smaller than in 1939. Cattle slaughter during the remainder of this year probably will not be greatly different from that of a year earlier, with a small increase not unlikely.

Prices in 1940-41

Supplies of beef and veal produced during the remainder of 1940 probably will be a little larger than in the corresponding period of last year. In the

first half of 1941 beef supplies may be a little smaller than in the first half of 1940. This decrease will be brought about chiefly by decrease in average weights, as the number of cattle and calves slaughtered is expected to be about the same as in the first half of 1940, or larger.

Consumer demand for meats during the rest of this year is expected to be stronger than a year earlier. In the first half of 1941, also, consumer demand may be better than a year earlier. It is expected, therefore, that the general level of cattle prices will be well maintained, especially in view of the prospects for a smaller hog slaughter in 1940-41 than in 1939-40.

Thus far in 1940 prices of the better grades of slaughter steers have changed relatively little, in contrast to the marked decline which occurred in the spring and summer of 1939. During the remainder of 1940, prices probably will continue near the levels of recent months, with an advance more likely than a decline. In view of the prospects for a moderate reduction in marketings of grain-fed cattle in the first half of 1941, prices of the better grades may average a little higher than in the first half of the present year.

Prices of the lower grades of slaughter cattle and of stocker and feeder cattle have been high in relation to prices of the better grades of slaughter cattle during most of the past 2 years. Important factors in this situation have been the strong demand for breeding stock and feeder cattle and the relatively small proportion of cows and other butcher cattle in the market supplies.

The demand for breeding stock probably will continue strong in the next several months, but marketings of cows and heifers in 1941 may be larger than in 1940. Thus while prices of the lower grades of slaughter cattle may continue near the levels of the first half of 1939, they are not likely to be as high in relation to prices of the better grades as they were in late 1939 and early 1940.

The demand for feeder cattle this fall may not be so strong as it was last fall. Returns from feeding operations have been unfavorable for feeders in recent months. Prices of corn and other feeds are generally higher than a year earlier. With prospects for a weaker feeder demand, prices of stocker and feeder cattle this fall may average little higher than a year earlier. And it is probable that the spread between prices of feeder steers and slaughter steers will be wider than it was last fall.

Upward trend in cattle numbers to continue

Present indications are that the number of cattle and calves on farms and ranches on January 1, 1941 will be about 2 million head larger than a year earlier. This means that the calf crop plus imports will exceed slaughter and death losses of cattle and calves during 1940 by a substantial margin. Total slaughter of cattle and calves this year probably will be slightly larger than that of last year.

During the period from early 1934 to early 1938 cattle numbers were reduced by 8.2 million head. Most of this reduction was in the area west of the

Mississippi River, where the effects of the droughts of 1934 and 1936 were most severe. Since early 1938 the total number of cattle and calves on farms has increased; by early 1941 the total number will be about 4.5 million head greater than in early 1938. A large part of this increase has been in the area east of the Mississippi River. In early 1940, the western region - roughly the area extending from the Canadian border through Montana and North Dakota southward to the Mexican border - was the only one where cattle numbers were substantially below the 1934 level.

Barring severe droughts, cattle numbers probably will increase further during the next 2 or 3 years. And it is likely that the 1934 peak will be exceeded before a cyclical downswing in numbers gets under way. The continued increase in cattle numbers will eventually result in a material increase in cattle slaughter. If cattle numbers are not to increase in 1941, total slaughter of cattle and calves next year would be about 26 million head, compared with about 23.5 million head this year. In subsequent years, when a decrease in numbers gets under way total slaughter may exceed 28 million head. This would be much the largest slaughter on record.

Thus over a period of the next 5 years a material increase in the production of beef and veal is probable. If hog slaughter continues near the levels of the past 2 years, this will mean a substantial increase in total meat production. Under these conditions, considerable improvement in consumer demand for meats in this country will be necessary if a sharp downward trend in cattle prices is to be avoided.

OUTLOOK - SHEEP AND LAMBS

BACKGROUND.- The number of stock sheep on farms and ranches on January 1, 1940 was about 1 percent larger than the number on January 1, 1939. Although the number on January 1 this year was the largest for many years, numbers have not fluctuated much in the past 10 years, ranging from a low of 46.4 million head to a high of 48.5 million head. Inspected slaughter of sheep and lambs in the past 10 years has fluctuated between 16.4 million head (1934-35) and 18.6 million head (1931-32).

After reaching the peak for the past 10 years in 1937, prices of lambs declined in 1938 as a result of a weaker consumer demand and larger marketings. Prices improved somewhat in 1939 and in the first half of 1940 chiefly because of a strengthening in consumer demand for meats.

1940 lamb crop largest on record

The lamb crop this year, totaling 32,729,000 head, was 3 percent larger than that of 1939 and was the largest crop on record. (See cover page.) The increase in the crop this year over last was mostly in Texas, the leading

western sheep-producing State. The total crop in the other western sheep States was a little smaller this year than last, while in the native sheep States the crop was only a little larger than that of last year.

Estimated lamb crop in the United States and specified regions,
average 1931-35, annual 1936-40

Year	Western States, excluding Texas 1/	Texas	Native States 2/	United States
	Thousands	Thousands	Thousands	Thousands
Average				
1931-35	16,020	2,993	11,105	30,124
1936	16,230	3,848	10,901	30,979
1937	15,243	4,158	11,329	30,730
1938	16,546	4,615	10,996	32,157
1939	16,778	4,030	10,973	31,781
1940 3/	16,746	4,867	11,116	32,729

1/ Includes Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, California, and South Dakota.

2/ Includes all States other than the Western States and Texas.

3/ Preliminary.

In the western sheep States the number of breeding ewes was about 2 per cent larger this year than last, and the percentage lamb crop (number of lambs saved per 100 ewes) was larger than it was last year and one of the four largest on record. In the native sheep States an increase of nearly 300,000 head in the number of breeding ewes was largely offset by a drop in the percentage lamb crop. Although the number of ewes, 1 year old and over, in the native States on January 1, 1940 was the largest on record, the percentage lamb crop was among the smallest on record.

Larger marketings expected this fall

The larger lamb crop this year than last and relatively slow market movement of native lambs prior to July indicate that slaughter supplies of sheep and lambs during the remainder of 1940 will be larger than a year earlier. Marketings from Texas this fall are expected to be larger than they were last fall.

Prices of lambs

The effects of the larger supplies of lambs upon prices will be offset by the stronger consumer demand for meats this year than last. For the remainder of this year prices of slaughter lambs are expected to average as high as a year earlier and perhaps a little higher.

Lamb feeding situation

Supplies of feed in the Corn Belt will be relatively large, despite the short corn crop. Nevertheless, the decrease in corn production from last year may result in a higher level of feed prices generally. Feed crop production will be materially less than that of last year in the western Nebraska and Colorado lamb feeding areas.

Although changes in feed supplies are not always a good indication of changes in the number of lambs fed, the present feed situation points to some decrease in the number of lambs fed from the high level of last winter. In addition, returns from feeding operations last season were for the most part unfavorable for lamb feeders, and this probably will tend to hold down the number fed this fall and winter. Up to early August only small numbers of lambs in the Western States had been purchased on contract for fall delivery, with very few purchased by western feeders.

OUTLOOK - HOGS

BACKGROUND.- Hog production increased sharply in 1938 and 1939, after having been held at a very low level from 1935 through 1937. The 1939 pig crop was the largest in the 16 years of record. It was 19 percent larger than the 1938 crop and about 50 percent greater than the small crop of 1935. The marked increase in the number of pigs raised in 1939 has been reflected in much larger hog marketings in 1939-40 than in any of the past 5 years.

In the July issue of the Livestock Situation the hog outlook for 1940-41 was given. As there has been little change in the situation in the past month, the principal points given in the July issue are briefly summarized:

(1) The 1940 spring pig crop was 8 percent smaller than that of 1939. On the basis of breeding intentions reported by farmers about June 1 and other indications it was estimated that the number of sows to farrow in the fall of 1940 would be about 12 percent smaller than the number farrowing last fall. (The deterioration of the corn crop in July indicates that the decrease in the number of sows to farrow this fall will be at least as large as 12 percent.)

(2) Present indications are that the combined spring and fall pig crops in 1940 will total about 75.8 million head compared with 84.3 million head in 1939. The decrease in the number of pigs raised in 1940 will mean a material reduction in hog marketings in 1940-41. It is roughly estimated that inspected hog slaughter in the marketing year, which begins October 1, 1940, will be between 43 and 44 million head. This compares

with 47-48 million head slaughtered under Federal inspection in 1939-40.

(3) A large part, perhaps nearly all, of the decrease in hog marketings in 1940-41 from a year earlier is expected to occur after November or December 1940. Earlier than usual marketings of spring pigs this year appear probable in view of the unfavorable relationship of hog prices to corn prices. The seasonal increase in hog marketings from September through December this year may be about as large as the increase that occurred in the corresponding months of last year. A large seasonal reduction in marketings is probable for the late winter and early spring.

(4) Export demand for pork and lard in 1940-41 is expected to be no better than in 1939-40, if as good. Domestic consumer demand for pork and lard in 1940-41, however, promises to be better than in 1939-40. This improvement in consumer demand and the decrease in hog marketings are expected to result in materially higher average prices for hogs in 1940-41 than in the present marketing year.

(5) A further moderate decrease in the number of pigs raised in 1941 now seems probable.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.				Oct.-June			
		June	May	June	Average:	June	1937-	1938-	1939-
		1939	1940	1940	1928-29:	1937-	1938-	1938-	1939-
					to	38	39	39	40
					1932-33:				
Hog slaughter under									
Federal inspection:	Thou-								
No. slaughtered 1/	sands	3,185	3,890	3,886	46,363	34,580	39,720	31,265	38,219
Live weight:									
Average	Pounds:	246	233	241	231	234	234	232	232
Total	Mil.lb:	784	907	938	10,723	8,089	9,311	7,236	8,874
Total dressed weight	" "	586	676	695	8,069	6,046	6,975	5,424	6,625
Yield of lard per 100:									
pounds live weight									
of hogs	Pounds:	13.6	14.0	13.3	15.2	12.4	13.3	13.3	13.9
Production of lard	Mil.lb:	106	127	124	1,630	1,002	1,232	957	1,236
Exports: 2/									
Pork	" "	15	4	3	211	89	125	88	104
Lard	" "	23	15	13	657	208	270	197	184
Imports of pork 2/	" "	4	1	3/	6	57	50	39	6
Proportion of sows in									
inspected slaughter 4/	Pct.	55.6	50.6	55.4	51.2	49.9	49.3	46.5	48.0

Compiled from reports of Agricultural Marketing Service, except as specified.

1/ Bureau of Animal Industry. 2/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned and pickled pork. Lard includes neutral lard. 3/ Less than 500,000 pounds. 4/ Includes gilts.

Prices of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.				Oct.-July			
		July	June	July	Average:	July	1937-	1938-	1939-
		1939	1940	1940	1928-29:	1937-	1938-	1938-	1939-
					to	38	39	39	40
					1932-33:				
Av. price, all purchases:	Dol. per:								
Seven markets	100 lb.	5.80	4.83	5.74	1/	8.33	6.85	6.96	5.40
Chicago	" "	5.92	4.98	5.92	6.99	8.47	7.00	7.11	5.56
Av. price of barrows and									
gilts, Chicago	" "	6.67	5.17	6.31	1/	8.76	7.23	7.28	5.69
U.S. average price received:									
by farmers	" "	6.26	4.82	5.78	6.48	8.07	6.70	6.79	5.33
Av. price of No. 3 Yellow	Ct. per:								
corn, Chicago	bu.	48	66	65	62	57	49	49	59
Hog-corn price ratio:									
Chicago 2/	Bu.	12.3	7.6	9.1	11.6	14.8	14.4	14.6	9.6
No. Central States	"	15.3	8.1	10.1	12.9	17.6	16.6	17.1	10.7
Proportion of packing sows									
in total packer & shipper									
purchases, 7 markets 3/	Pct.	34.0	18.0	29.0	1/	13.0	13.0	10.0	10.0
Av. weight at 7 markets	Pounds	270	249	259	1/	246	247	245	243

Compiled from reports of Agricultural Marketing Service. 1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

Slaughter and market supplies of cattle and calves,
specified periods

Item	Unit	Year		Month			
		Average	1939	1939	1940	1940	1940
		1924-33	1939	June	July	May	June
Slaughter under Federal inspection:							
Number slaughtered:	Thou-						
Cattle 1/	sands	8,850	9,446	778	782	796	738
Calves 1/	"	4,819	5,264	448	417	501	437
Cows and heifers 2/	"	4,181	4,446	333	341	313	297
Steers 2/	"	4,340	4,588	407	396	448	403
Average live weight:							
Cattle	Pounds	953	943	930	936	945	937
Calves	"	176	191	189	201	169	185
Total dressed weight:							
Cattle	Mil.lb.	4,532	4,803	397	399	418	385
Calves	" "	487	559	47	47	49	45
Inspected shipments: 1/	Thou-						
Feeder cattle and calves	sands	2,394	3,173	150	210	166	156
Imports:							
Cattle 3/	"	253	764	27	56	87	40
Canned beef 4/	Mil.lb.:5/	56	86	8	8	9	5

Compiled from reports of Agricultural Marketing Service, except as specified. 1/ Bureau of Animal Industry. 2/ Also included in cattle slaughter. 3/ United States Department of Commerce. General imports prior to 1934; beginning January 1, 1934, imports for consumption. 4/ United States Department of Commerce. Imports for consumption. 5/ Figures include "other canned meats" prior to 1929.

Price per 100 pounds of cattle and calves, July 1940, with comparisons

Item	July	July	July	May	June	July
	average	1938	1939	1940	1940	1940
	1924-33					
Beef steers sold out of first hands at Chicago:	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Choice and Prime	11.36	11.39	9.80	10.69	10.31	10.97
Good	10.44	9.93	9.26	9.92	9.57	10.29
Medium	9.23	8.83	8.55	9.05	8.84	9.33
Common	7.59	7.29	7.33	8.22	7.69	7.59
All grades	10.25	10.71	9.30	9.83	9.69	10.44
Cows, Chicago:						
Good	1/ 6.92	7.26	7.04	7.48	7.55	7.28
Low Cutter and Cutter	2/ 5.95	4.78	3/ 5.02	3/ 5.20	3/ 5.22	3/ 4.70
Vealers, Chicago:						
Good and Choice	10.64	9.08	9.73	10.95	9.51	9.92
Stocker and feeder steers, Kansas City:						
Average price, all weights	4/ 7.30	7.80	7.61	9.18	8.05	8.09
Average price paid by packers:						
All cattle	7.83	7.62	7.58	8.30	8.12	
Steers	5/ 9.60	8.80	9.36	9.30		
Calves	8.69	7.71	8.21	9.38	8.40	

Compiled from reports of Agricultural Marketing Service. 1/ Good and Choice, 1924-27. 2/ Canner and cutter, 1924-June 1926. 3/ Average of Cutter and Common, and Canner. 4/ Average 1925-33. 5/ Not available.

Supplies of sheep and lambs, specified periods

Item	Unit	Year		Month					
		Av. :	Av. 1924-33:	1939		1939-40			
		1924-33 :	1939 :	June :	July :	June :	July :	May :	June : July
<u>Slaughter under Federal inspection</u>									
Sheep and lambs:									
Number slaughtered 1/	Thousands	14,737	17,241	1,216	1,219	1,461	1,399	1,420	1,378 1,448
Average live weight	Pounds:	81	86	75	76	79	80	83	79
Average dressed weight	"	39	40	37	37	38	38	40	38
Total dressed weight	Mil. lb.:	569	694	45	45	53	53	57	52
Lambs and yearlings:	Thousands								
Number slaughtered		13,678	16,137	1,125	1,146	1,316	1,289	1,319	1,293
Percentage of total:									
sheep and lambs.	Percent:	92.8	93.6	92.5	93.9	93.9	92.2	92.9	93.8

Compiled from reports of Agricultural Marketing Service, except as specified.
1/ Bureau of Animal Industry.

Prices per 100 pounds of sheep and lambs, by months, May - July 1938-40

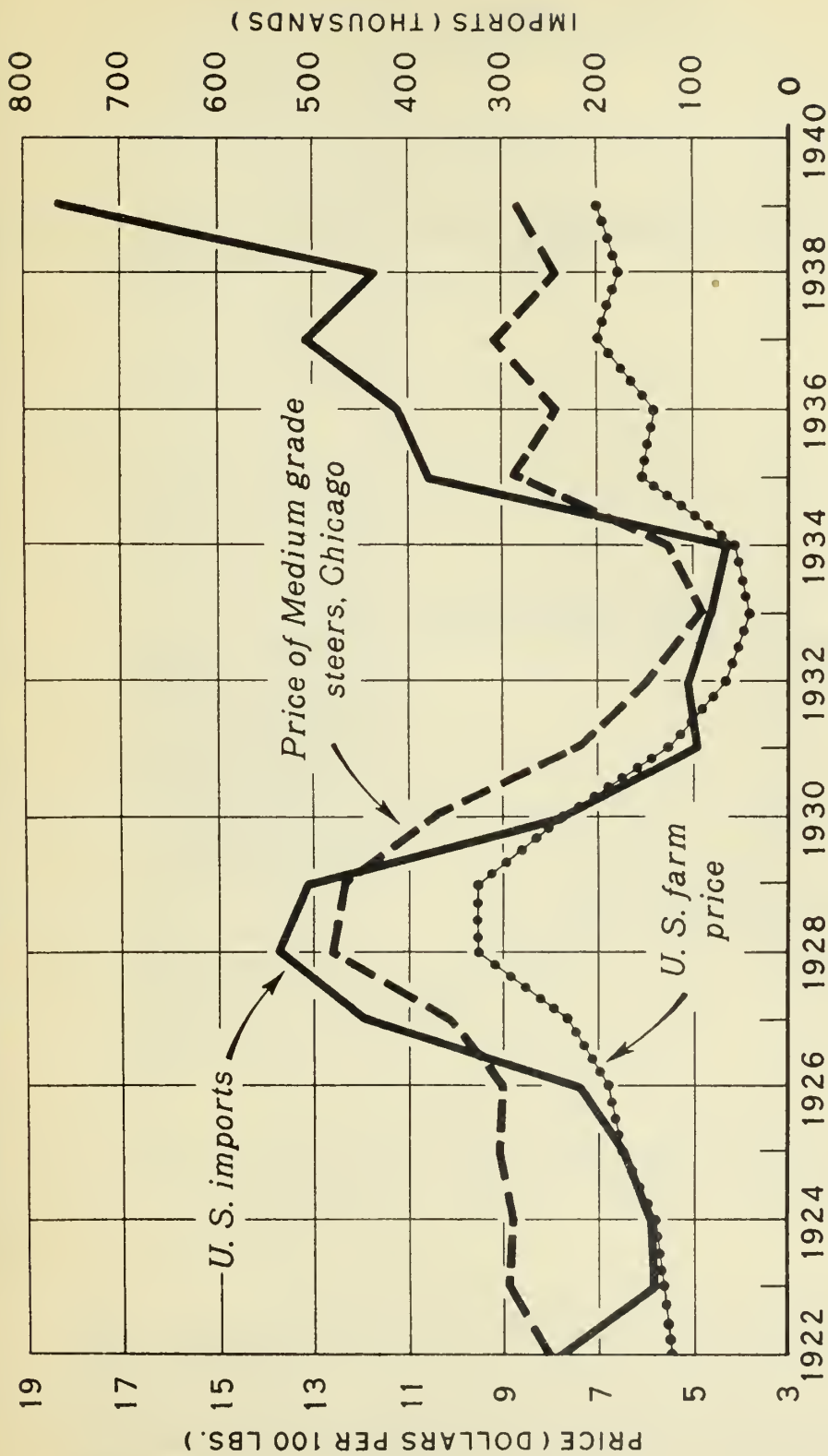
Item	1938			1939			1940		
	May	June	July	May	June	July	May	June	July
Slaughter lambs, Chicago:	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Good and choice 1/	2/7.10	3/9.08	8.89	2/8.75	3/9.94	9.56	2/9.54	3/10.94	9.49
Slaughter ewes, Chicago:									
Common and medium ...	2.69	2.59	2.54	3.00	2.14	2.27	3.22	3.00	2.26
Feeding lambs, Omaha:									
Good and choice ...	---	6.97	7.34	---	---	8.09	---	8.77	8.27
Average price paid by packers:									
Sheep and lambs ...	7.37	7.77	7.95	8.94	8.69	8.35	9.04	9.17	
Average price received by farmers:									
Sheep	3.59	3.43	3.46	3.94	3.67	3.66	4.02	3.81	3.60
Lambs	6.90	6.84	6.84	8.02	7.49	7.31	8.25	8.12	7.85

Compiled from reports of Agricultural Marketing Service. 1/ Lots averaging within top half of good grade. 2/ Shorn basis. 3/ Spring lambs.

Index numbers of income of industrial workers, and cash income from meat animals, specified periods

Item	Calendar year:		Jan.-June		June	May	June
	1938	1939	1939	1940	1939	1940	1940
Income of industrial workers (1924-29 = 100)	73	83	78	88	80	87	1/ 89
Cash farm income from meat animals: (1924-29 = 100) 2/	78	81	81	83	78	2/ 90	1/ 78
1/ Preliminary. 2/ Revised.							

CATTLE: IMPORTS, PRICE RECEIVED BY PRODUCERS, AND PRICE OF MEDIUM GRADE STEERS AT CHICAGO, 1922-39



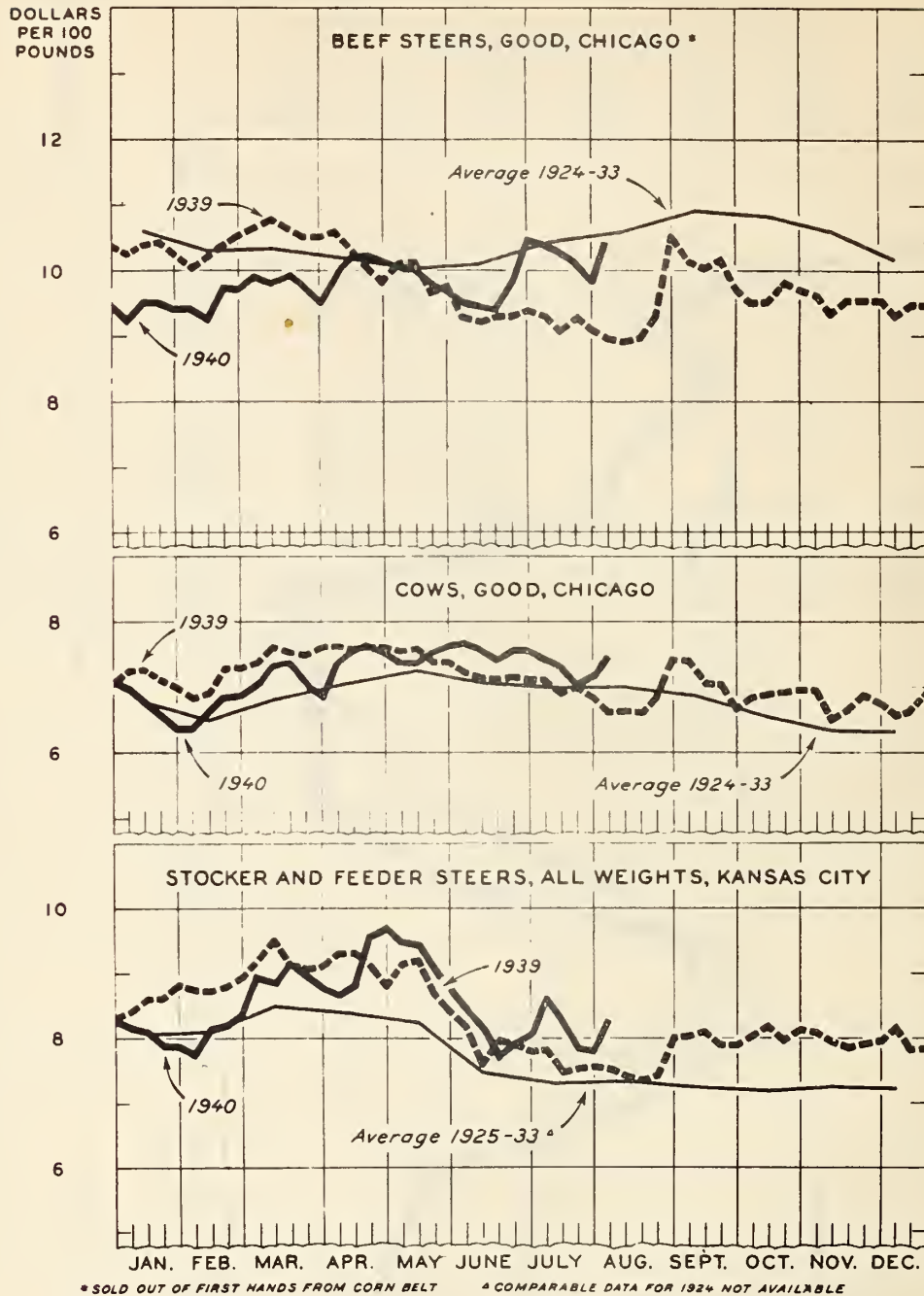
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FIGURE 2.- AN IMPORTANT FACTOR AFFECTING YEAR-TO-YEAR CHANGES IN IMPORTS OF CATTLE INTO THE UNITED STATES IS THE CHANGE IN THE LEVEL OF CATTLE PRICES IN THIS COUNTRY. DURING THE PERIOD FROM 1929 TO 1933, WHEN CATTLE PRICES DECLINED GREATLY, IMPORTS ALSO DECREASED SHARPLY. SINCE 1934 THE TREND IN CATTLE PRICES HAS BEEN UPWARD AND A SUBSTANTIAL INCREASE IN CATTLE IMPORTS HAS OCCURRED. IMPORTS ALSO ARE AFFECTED BY OTHER FACTORS, INCLUDING DROUGHTS AND FEED SHORTAGES IN CANADA AND MEXICO, THE CHIEF SOURCES OF UNITED STATES CATTLE IMPORTS.

PRICES OF SLAUGHTER CATTLE AT CHICAGO AND OF STOCKER AND FEEDER STEERS AT KANSAS CITY



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FIGURE 3.- THE TREND IN PRICES OF THE BETTER GRADES OF SLAUGHTER STEERS WAS UPWARD IN THE FIRST HALF OF 1940, IN CONTRAST TO THE DECLINE FROM FEBRUARY TO AUGUST LAST YEAR. SINCE EARLY JUNE PRICES OF THE BETTER GRADES OF STEERS HAVE BEEN HIGHER THAN A YEAR EARLIER. PRICES OF COWS AND THE LOWER GRADES OF SLAUGHTER STEERS DECLINED IN JULY, AFTER HAVING HELD FAIRLY STEADY FROM APRIL THROUGH JUNE. THE TREND IN PRICES OF STOCKER AND FEEDER CATTLE HAS BEEN DOWNWARD SINCE EARLY MAY. ALTHOUGH PRICES OF STOCKER AND FEEDER STEERS ARE STILL HIGH IN RELATION TO PRICES OF SLAUGHTER STEERS, THE SPREAD BETWEEN THE TWO THIS SUMMER IS WIDER THAN IT WAS LAST SUMMER.